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SUBJECT: OPTIMISM IN HO CHI MINH CITY: FROM BUSINESS AND FROM
"ORDINARY CITIZENS"

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Consulate General Ho Chi Minh, Department of State.
REASON: 1.4 (b), (d)

¶1. (C) Summary. Ho Chi Minh City's business elites were nothing if not optimistic during the Ambassador's May 6-8 visit; when pressed on the impact of the global economic downturn they pushed back. An American manager assessed Vietnam's situation is "much improved" over last year's sharp inflation, because "we just couldn't make plans in that kind of environment." From furniture to high-tech, companies said orders are beginning to recover from a sharp drop in the first quarter. Exporters are looking for upcoming trade shows like the High Point Market furniture show in North Carolina to set the course, for better or worse, through the rest of 2008. If buyers place orders as expected, then manufacturers believe Vietnam isn't likely to see significant unemployment. Creating jobs isn't the real problem, said Long An People's Committee Chairman Duong Quoc Xuan, it's that Vietnam's education system that does not create the skilled workers the country needs. Political dissidents like Dr. Nguyen Dan Que echoed this point and urged the Ambassador to continue his efforts to promote education reform. In a change of tactics, "ordinary citizens just out having coffee" interrupted the Ambassador's meeting with Do Nam Hai to admonish the dissident -- "Vietnam is a free country so you shouldn't say bad things." End summary.

Business Community is Optimistic

¶2. (C) The Ho Chi Minh City (HCMC) business community seemed remarkably upbeat during Ambassador Michalak's May 6-8 visit. In meetings with the American Chamber of Commerce, a roundtable with Ethnic Chinese business leaders and factory visits ranging from high-tech U.S. giants (e.g., Intel, Jabil Circuits) to labor-intensive Vietnamese furniture exporters (e.g., AA Corporation), most said they believe their business outlook is significantly better now than it has been over the last year. The domestic market continues to grow, said the president of Gannon Vietnam, and Vietnam's economic situation has stabilized. A year ago managers saw rapidly rising inflation (28 percent at its peak) wreak havoc on workers' living standards, leading them to strike in record numbers, he continued, managers and workers didn't know if GVN policies would bring inflation back under control and companies couldn't make business or investment plans. All that has changed and May 2009 is a much better economic situation for businesses in Vietnam than May 2008, he concluded.

¶3. (C) Orders are also improving for many of Vietnam's exporters, the managers of Jabil Circuits Vietnam (laser printers), BITAS (garments) and AA Corporation (furniture) told the Ambassador. Jabil's manager said their dominant customer (a U.S. company that consistently ordered 100,000 units per month prior to the downturn), had been quick to cut back orders by 40 percent from December to February (to 60,000 units). Now that customer has placed orders from March expanding through June (to

160,000 units). For furniture company AA Corporation, new markets in the Middle East and India, and niche marketing to high-end projects in the United States has paid off. AA's CEO says the company is booked through September, and is looking anxiously toward the upcoming High Point Market furniture trade show in North Carolina for signals about the direction of the industry. Industry rumors that buyers plan to place increased orders, if true, could signal a return to growth for Vietnamese furniture makers, he assessed.

¶4. (C) As multinational companies rationalize global production Vietnam is also generally doing well. Intel Vietnam's Production Manager said that the company is closing older factories around the world to centralized production (in total 820 million units in 2008) at its newer factories; they'll double that existing capacity with an additional 820 million-unit capacity as the HCMC factory comes online in phases over the next few years. Eighteen months ago I would have said "never in Vietnam", MAST Industries' Country Manager stated, but now we've looked around the globe and decided to invest here in garment "support industries" like raw material manufacturing (e.g., a denim mill), to be closer to production and add 20 percent more value in country. More broadly, she said in recent months buyers have started moving orders from Thailand and China to Vietnam.

Unemployment Hasn't Materialized

¶5. (C) This optimism seemed to be echoed on the walls of industrial parks in HCMC and Long An Province with banners calling for "50 drivers", "500 laborers" or "2,000 garment workers". Long An People's Committee Chairman Duong Quoc Xuan explained that unemployment isn't the real problem in his province, but Vietnam's education system doesn't produce the skilled workers than many investors need, making it possible to have pockets of excess unskilled labor at the same time that companies are clamoring for workers. Xuan told the Ambassador that agricultural provinces like Long An can easily absorb newly unemployed workers returning to the countryside to work the rice paddies, leading to increased "underemployment" but not "unemployment" in the province.

It's a Long, Long Road to Long An

¶6. (C) When the Ambassador asked if Vietnam's economic stimulus package has spurred employment through infrastructure projects, the Long An leader said the GVN has provided additional funds for infrastructure development in Long An Province, but because of the economic downturn these projects can only move forward slowly. The Central Government controls the disbursement of infrastructure funds, Xuan said, and they've been moving very slowly, choking off much need financing. In fact, Xuan said he planned to go the next day to "lobby" ministries in Hanoi, including Transportation, to move forward on pending projects like National Highway number 2 in Long An.

¶7. (C) ITA Chairwoman Mde. Dang Thi Hoang Yen offered another explanation for the slow pace of infrastructure projects, corruption. ITA has a license to build an expressway from the Tan San Nhut airport in Ho Chi Minh City, but ran afoul Ministry of Transportation (MoT) bureaucrats when the functionaries realized the land their family members bought along the planned track was worthless because the expressway would be elevated. MoT's objections that Long An province doesn't need "too many expressways" seem at odds with the fact it now takes ninety minutes to travel the sixteen miles in to HCMC, Yen said. In areas with less direct competition, ITA is seeing more success. During his visit to the ITA University site where construction is still underway, Yen told the Ambassador that her school has been licensed as a technical college and will accept 500 students this fall. She'll continue to work toward university accreditation with the GVN.

Exceptions that Prove the Rule

¶8. (C) Unfortunately, the Ministry of Education and Training (MoET) isn't interested in change, dissident democracy activist Dr. Nguyen Dan Que told the Ambassador. Vietnam needs more

technically competent skilled workers to develop its economy, and people with masters' degrees not PhDs. Que lauded the Ambassador's efforts to improve education in Vietnam as the most important work the United States can do here. Introducing the Internet throughout the country is another way the United States can promote change, he added. The Ambassador noted the U.S. public-private partnership to provide broadband access to Lao Cai. "The power of the Politburo is decreasing," Que responded, "more investment, more trade, more education and more Internet is the correct way."

¶9. (C) Do Nam Hai, another prominent HCMC dissident, agreed that Internet is one key to change in Vietnam -- maybe that's why the police have raided his house six times in the last year to confiscate modems, computers, laptops and even telephones, and put his name on an ISP blacklist in attempts to prevent him from accessing the Internet. In addition, Hai said he has not has been allowed out of his house (other than a dozen "working sessions" at the local police station) for the past year, all for publicly advocating multiparty democracy.

¶10. (C) As Hai laid out his arguments for multiparty democracy, a strange drama unfolded in the coffee shop where the Ambassador met Hai. Twenty minutes into the discussion a well-dressed young couple with exquisite posture sat next to us and began to read fashion magazines -- his upside down for a time. After another ten minutes, the young man at the next table suddenly stood up and began accosting Hai in Vietnamese for "saying bad things about the country that are not true". "This country raised you, how can you say bad things," his partner added in. After an extended exchange in Vietnamese, the man told the Ambassador several times in English "Excuse me, I'm just an ordinary person and it makes me angry to hear him say bad things about my country." Another unwitting customer added to the drama, shouting back in Vietnamese at the "ordinary citizens", "Why are you being so rude, interrupting their conversation?" The Ambassador calmed the situation, telling all three he was happy to see people expressing their different political opinions publicly, as everyone should have that right. The Ambassador and Hai concluded their conversation and the Ambassador walked the dissident close to his house across the street.

Comment:

¶11. (C) Aside from a real sense of optimism about the economy and a broad consensus on the importance of education reform, the most striking aspect of the Ambassador's visits was the new Ministry of Public Security tactic of engaging and disrupting the Ambassador's meeting with Do Nam Hai. Dissidents have been prevented from meeting ConGen staff and meetings in public places have been observed and overtly recorded by MPS staff, but this is the first time to our knowledge that the MPS has interfered with a meeting so directly and with such little pretext. End comment.

¶12. (U) This cable was coordinated with Embassy Hanoi.

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